HOW TO SUCCEED IN ECOTECH WITH(OUT) REALLY TRYING [*]

By Medhi Krongkaew [**]

1. Introduction

In the 1967 Broadway musical: How to Succeed in Business Without Really Trying, by Frank Loesser, the main character of that musical, J. Pierpont 'Ponty' Finch succeeded in transforming himself from a window washer to vice president of a large modern business company within a short period of time. He did it through sheer determination to succeed, perseverance, and cunning adjustment to changing environments. His success might seem easy--that he got it 'without really trying', but indeed he had tried hard to get what he wanted. It is his determination that made his success looks easy.

I have set the title of this paper to mimic this successful Broadway musical because I feel that the success in ECOTECH could also be achieved through sheer determination and resourcefulness of APEC members. For some, especially developing members of APEC, the success may be forthcoming through really working hard at it, but for some, especially developed members of APEC, the success can be almost at their finger-tips if they have the right approach to it. In this paper I will try to demonstrate and substantiate what I mean.

As the third pillar of APEC, or to use a new analogy, the second wheel of APEC, ECOTECH has since 1998 been widely and at times, intensely, discussed among APEC forums. Two fundamental issues being discussed and debated seem to be that, one, should it be given a heightened role that challenges the primary importance of trade and investment liberalisation and facilitation (TILF) which is what APEC originally was about, or, two, if it should, what can APEC members do in, and about, ECOTECH? If the answer to the first question is a strong affirmative, then, the second question could be addressed or tackled more easily. But if many members are still not cleared how to answer the first question, then it makes the second question much more difficult, if not impossible, to answer.

In this paper I will argue that there are different ways in which one could define success in APEC, especially in ECOTECH. An adherence to a strict definition of success could jeopardise the

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[****] Professor of Economics, School of Development Economics, National Institute of Development Administration (NIDA), Bangkok, Thailand.

future direction of APEC activities, including ECOTECH activities, and consequently erode the confidence of members towards the ideal of APEC. The way I see it, there are several pre-conditions that determine the success of APEC, either in TILF or ECOTECH. Many of APEC members have already satisfied or fulfilled these pre-conditions, whereas many are still struggling to do so. I have adopted the PECC Concept of 3 Building Blocks that are being used to promote community building in Asia Pacific and will apply them here to promote successful activities in APEC ECOTECH. Finally, I will discuss certain institutional and policy changes that are likely to bring about successful ECOTECH activities in the future.

2. Measurements of Success in ECOTECH

Unlike TILF where the outcome or success of this aspect of APEC activities can be measured through reduction in tariff and non-tariff barriers, and agreements on standards and procedures in trade and investment activities, the outcome or success of ECOTECH are more difficult to measure. [1] The standard practice adopted in the APEC process so far (at least by the APEC Secretariat) is to measure this aspect of success in ECOTECH in terms of the progress made in the ECOTECH initiatives specified by APEC ministers and leaders, and in the number of ECOTECH projects completed each year. Obviously, these are not an adequate indicator of success. The success in ECOTECH in the APEC process must be looked upon more abstractly as the increase in the capability of all APEC members to trade and invest freely with one another. [2]

This capability can be more than just a number of years that a child has spent in school, or a number of trainings that a worker has received during his employment. It should be understood as the overall capacity of the people in each APEC economy to understand the requirements for free trade, and to prepare themselves adequately to be an active member of such a free trade system and

[1] The ultimate success of TILF aspect of APEC is probably the achievement of the Bogor goals of free trade and investment in the Asia Pacific region in 2010 and 2020. Although this agreement is somewhat loose in the sense that no one can say that the post-2010 APEC will be a free trade area, or a customs union, and other more integrated groupings, many would agree that at least tariff reduction is one straightforward indicator of the success in trade liberalisation. But while linear tariff reduction by all APEC members may be looked upon as a necessary indicator of progress in trade liberalisation, it is not sufficient because many economies are faced with different domestic situations that do not allow continuous tariff reduction. As long as members have agreed to lower tariff barriers, and made annual commitments to doing so in their annual TILF IAPs, this should be sufficient to recognise it as a progress, if not a success.

[2] It may be construed that increased capacity to serve free trade and investment is equivalent to ECOTECH helping TILF fulfilling its objectives. It is possible to see ECOTECH's capacity building as a stand-alone objective that leads an economy to sustainable development. Such an economy is, perforce, at ready to take part in free trade system.

to benefit more fully from it. To begin with, a 'new' APEC member must fully subscribe to the APEC Principles of voluntary and unilaterally liberalisation, acceptance of the power of free trade, and the need to help one another (see Box 1). After this, there are certain requirements on economic and political development that this APEC member may have to possess before any meaningful benefits from APEC membership could be achieved (see Box 2). Many people or organisations will view these requirements differently. ABAC (2001), for example, believed that to derive fully the benefits of liberalisation, every economy needs to strengthen the capacity of its institutions and individuals to adjust to rapidly changing external environments. ABAC is particularly concerned with three important aspects of capacity building, namely institutional development, human resource development, and the enhancement of management capability. Here, institutional development includes sound legal and regulatory systems, comprehensive and well-balanced policy frameworks and greater transparency. For human resource development, the priority is set to enable more people to share knowledge and skills through education and training. And, finally, for private management capability, private business must adopt global principles and best practices in corporate governance, and to follow international standards in accounting and risk management.

In a recent paper, Elek (2002) maintained that there are several 'ends' of APEC that have been endorsed by APEC leaders such as free and open trade and investment by 2010/2020, enhanced capacity to implement WTO undertakings, enhanced capacity for financial sector management, and community-based access to ICT via the internet by 2010. For the majority of these ends, it appears that 'capacity building' would be recognised as a means to these ends. Activities that lead to capacity building are obviously ECOTECH, including the capacity building activities that prepare members for successful membership of the WTO. As such they could also be counted as ECOTECH activities. [3]

I will have more to say on this capacity building as the fulfilment of pre-conditions for successful membership of APEC in the next section. In this section which touches on the issue of the measurement of success in ECOTECH, I want to mention a simple

[3] The current state of affairs where these WTO-related capacity building activities are being undertaken by the CTI without any knowledge, let alone participation, of the ESC is certainly dissatisfactory. Although it is realised as 'hardly practical' the idea that the ESC be given the mandate to steer the priority-setting procedures of the CTI and the BMC on capacity building issues, as this is the 'core business' of the SOM (not mentioning the possible protest from the CTI and the BMC), Elek did suggest that a committee, comparable to the CTI, be set up to be responsible for implementing an ECOTECH subset of objectives set by APEC leaders. This committee which Elek called the Economic and Technical Cooperation Committee or ETCC would evolve from the current ESC. See more on this later.

measurement of success in ECOTECH through its better plans for future execution of ECOTECH activities. Success in ECOTECH activities could be measured through better achievements of the following plans:

(a) Plan for better coordination

As it stands today, a major function of the ESC is to help SOM coordinate ECOTECH projects in APEC. The ESC coordinates ECOTECH projects by classifying them into the six themes of ECOTECH as specified in the Manila Declaration on an Asia Pacific Cooperation Framework for Strengthening Economic Cooperation and Development. From 2000 onward, all information concerning completed and on-going ECOTECH projects are stored in the so-called ECOTECH Clearing House Facilities System. This system, once fully realised, should help toward increasing the effectiveness of ECOTECH coordination as it can be used to check against duplication of projects as well as provides past information on various aspects of ECOTECH research. New information will be regularly added to the basic structure to make it an up-to-date source of ECOTECH information. The evaluation of the finished ECOTECH project is more difficult. As practised in APEC, completed projects are self-assessed by the research teams or organisations. This is obviously unsatisfactory as there is an in-built bias to such a procedure. A better solution would call for independent experts from outside the official APEC process to assess and evaluate these completed projects. The APEC International Assessment Network (APIAN), an independent APEC Think-Tank group, has already been asked to assess and evaluate some finished ECOTECH projects. This should contribute to greater success in the coordination function of ECOTECH.

(b). Plans for Better Dissemination

That APEC is run mainly by government officials is not to be disputed, but because the government needs the support of the people to survive, what the government officials have done in APEC must also be supported by the people at large. First, the public at large must be regularly informed of what happened in APEC. Second, they should be provided with an avenue or opportunity to take part in decision making concerning policies that will affect their lives, or opportunity to express their views or opinions on APEC issues. This is an important policy that the ESC has put a great deal of efforts into. But this should not be the duties of the ESC and the APEC Secretariat only; every APEC economy should all take part in this APEC outreach or dissemination activities.

(c) Plans for Better Participation

Coordination and dissemination are part of the activities that fall into what is known as Type I of ECOTECH function or activities.

[4] This is a narrow function of ECOTECH in APEC. It concerns with what government agencies within APEC have carried out among themselves. The ESC has recently argued that APEC, especially ECOTECH, can no longer confine itself to this Type I of activities. On the contrary, APEC has to reach out, to participate in others' activities, or invite or encourage other individuals, institutions, or organisations to participate in APEC activities. These broad function of ECOTECH which involves people outside the official APEC circles is called Type II of ECOTECH function or activities. This does not mean that APEC has never engaged people outside the official APEC circles. In fact one of the strongest support of APEC from the business sector in APEC is from the APEC Business Advisory Council (ABAC). But even in this case, there is still room for improvement. Other organisations that have been associated with APEC within this category of Type II function of ECOTECH include the Pacific Trade and Development Conference (PAFTAD), the Pacific Economic Cooperation Council (PECC), the Foundation for Development Cooperation (FDC), the Pacific Basin Economic Council (PBEC), and the APEC Study Center Consortium. [5]

During the past two years, there have been several activities undertaken by APEC members under suggestions and oversight of the ESC that combined the above three functions together, and could rightly be called a success. The establishment of the ECOTECH Clearing House in 2000 is an example of good combination of coordination and dissemination functions. The review and updating of Part II of the Osaka Action Agenda completed in 2001 was made possible through a new relationship between the ESC and various Working Groups. Perhaps most important of all is the agreement to launch of ECOTECH Action Plans (EAP) by APEC members in 2001 on experimental basis for two years. This was a bold statement from APEC to the world that APEC members are serious about increasing human capacity among themselves through individual as well as collective actions.[6]

3. Pre-conditions for Success in ECOTECH

Again, the existence of the above plans, while necessary for an immediate improvement in the functioning of ECOTECH activities

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[4] For more explanation on how these Type I and Type II functions could operate, see Medhi (2000).

[5] For more detail on how these organisations have become involved in APEC, see Medhi (2000b).

[6] Some critics are not satisfied with the nature and characteristics of these EAPs submitted by APEC economies, saying they are simply a collection of facts about educational and other human resources development systems and programs of members. This may be partly true, but the true benefits of these EAPs have not yet been fully realised. A special taskforce needs to be set up to study, assess, evaluate and suggest ways to improve the formulation of EAPs. Two years are too short for the experimentation of something very new and very innovative as the EAPs.

in APEC, may not be enough to sustain a long-term success of ECOTECH in APEC. What this means is that there is a set of pre-conditions that APEC members need to fulfil in order to reach more sustainable success of ECOTECH in the future. There are at least two types of pre-conditions facing each APEC members, one could be called policy pre-conditions, the other institutional pre-conditions.

(a) Policy Pre-conditions

To succeed in ECOTECH, members must first and foremost decide that ECOTECH is something very important, and they want it up there with other goals of APEC. We know that ECOTECH has had an unpleasant start, where its existence today is a legacy of a bitter fight to define a proper role and mandate of ECOTECH in APEC. Despite apparent support or pledge of support that ECOTECH has received from practically all members in the last few years, there have been occasions where some members have shown reluctance to give ECOTECH the same attention they have given to TILF. This reluctance, sometimes even annoyance, at the attention given to ECOTECH hinders the smooth operation of ECOTECH. Movement or progress of ECOTECH activities or initiatives is often stalled or slowed through this non-fulfilment of this policy pre-condition. Without this genuine policy support, ECOTECH will always face problems that affect its work and its success.

(b) Institutional Pre-conditions

For some members, policy pre-conditions are not a major problem. What is more important and crucial to them is the fact that they are 'not ready' to accept the APEC Principles and to participate fully in the liberalisation of trade and investment that defines the nature and characteristics of APEC. ECOTECH could be looked upon as a means to prepare these members to achieve the ends of freer trade and investment.

As mentioned earlier, there are some important conditions that a new member must have in order to succeed in APEC. One is the minimum level of economic development, and the other is minimum level of political development. We now have more to say on this. Recently this concept of minimum requirements for a country or economy to join a free trade system like APEC has received attention from APEC's sister organisation, the Pacific Economic Cooperation Council (PECC). Traditionally, PECC has always been about trade as a main form of economic cooperation in the Pacific region. Then many other activities were conceived and acted on by PECC members. Chief among these were activities on financial management, human resource development, city and urban development, transportation, telecommunications, energy, and so on. There are a great deal of similarities between activities within

PECC and within APEC. So, when PECC decided to streamline its own activities to make PECC more effective and more manageable, we in APEC can learn something from what PECC has done.

As a result of this institutional restructuring, PECC activities are now divided into 3 groups, namely trade, finance and community building. The first two groups are easy to understand as they deal with traditional subjects of free trade and removal of trade impediments, and financial matters that are associated with such pattern of trade. The third group, community building, risks being looked upon as a basket case where any non-trade, non-finance matter will be thrown in here. But in the mind of the PECC Vision Group who were tasked to plan for these changes, this is not the case at all. Indeed, community building is something that could define sustainable nature of regional grouping such as PECC, or even APEC for that matter. [7] In this sense, community building in PECC is analogous to ECOTECH in APEC. However, while the concept of community building is important for the long-term development of PECC, APEC, or similar forums or organisations, it is not what activities should be included within this community building, or what should be the concrete operational plans for members to arrive at the desired community building.

Building on the rough concept of community building proposed by the PECC Vision Group, David Parsons, the Director General of PECC, succeeded in formulating an operational plan for community building in PECC. His plan consists of three blocks that enable or prepare a new or developing member to reach the state of preparedness or maturity necessary to be a successful member of PECC. In other words, these three blocks have become crucial building blocks that allow these developing members to catch up with more developed members. These 3 building blocks are:

Block 1: Physical infrastructure
Block 2: Human infrastructure
Block 3: Organisational rules that bind Block 1 and Block 2 together

There is little need to explain the necessity of Block 1 as an institutional pre-condition that any country must satisfy or acquire before doing anything else. The availability of such physical infrastructure as roads, ports, utilities and communication systems, and so on is part and parcel of the requirements for successful modern trade and development. Shortage or inadequate supply of

[7] Hadi Soesastro who is a member of this PECC Vision Group is probably the architect of this community building concept. In his various writings about APEC (for example, Soesastro, 2002), Dr. Soesastro often said that APEC was first and foremost about community building, which was often overlooked or ignored by those obsessed with trade liberalisation, which was only one aspect of the APEC agenda.

this physical infrastructure hinders any attempt to build viable and sustainable community. But the existence of Block 1 without the people in the country knowing how to use them effectively and efficiently will not lead to any productive outcome. Therefore, Block 2 of community building requires that people are equipped with human infrastructure. This is synonymous with people having adequate human capacity to undertake what is necessary to engage in free trade and investment. Education, skill training, healthy bodies and minds are all included in this Block 2. Again, for Block 1 and Block 2 to work in unison with each other requires a set of organisation rules that bind physical and human infrastructure together. These organisation rules include democracy and existence of freedom, rules of laws and legal systems that guarantee fair-play and acceptable conflict resolution, transparency, and the facilities for public and private sectors to work effectively together. This is Block 3 of institutional pre-condition that is necessary for a community that supports free trade. With these three building blocks together, the country or economy will be ready to take on the requirements for free trade and investment.

4. What Need to Be Done?

It is now quite obvious that different APEC members will be in different positions to participate in the APEC and ECOTECH processes. For those economies that are more developed, they are more likely to be in a position to satisfy all pre-conditions that will enable them to succeed in participating in ECOTECH activities without really trying. For those economies that are less developed, the possibility of having satisfied all pre-conditions may be less, and they have to work harder to succeed in ECOTECH activities. There is a likelihood that more developed members could help speed up the outcome of the APEC process by extending their technical or financial assistance to less developed members, but this is done only through a spirit of cooperation rather than through a patron-client relationship. In other words, more developed members will benefit more from working and trading with more able developing partners, whereas these less developed partners will strive to increase their own capacity and capability, and resolve their own economic weaknesses first before turning for external assistance. Upon this concept, ECOTECH will never turn into an aid-giving and aid-receiving activity unless both parties have agreed to do it that way for their own mutual interests and benefits.

Under the above circumstances, what could be substantive areas of activities that APEC members could be engaged in in ECOTECH? In fact, this question becomes irrelevant because with all members subscribing to the APEC Principles and having basic orientation

toward fulfilling policy and institutional pre-conditions, activities after activities could be conceived that are qualified under ECOTECH banner. Community building activities discussed above would provide numerous candidates for ECOTECH activities for the APEC community. Formally, APEC leaders have already classified ECOTECH activities into six areas where members could mix and match these areas to suit the economic mood and currency at the time. There is no limitations to members varying the priority of these themes from year to year. Or to find a new theme that is of greater interest and economic impact. Or to engage outside organisations, those non-government organisations in the civil society, to work on a certain policy issue that both are interested in. The possibility for substantive activities under ECOTECH goes on and on.

Perhaps one of the most convenient sources of ECOTECH activities is none other than the EAPs. It may be true that the records of members' EAPs during the past two years may not look impressive in terms of the usefulness for best practices among other APEC members. But that could be because many members are still not certain about the true nature of this EAP. Contrary to the misconception of some members that EAPs must necessary be collective in nature, the EAP is basically an individual action plan. Each member will look inside its own economy, to locate its weakness and tries to correct it, or find out its strength and tries to make it stronger. It is easy to do this alone, but if the same problems are found in other economies as well, then some collective efforts could be created. EAP is a gem that can be cut in a hundred of ways depending on the skills and imagination of the cutter. It will be a pity to throw away this gem just because, in its uncut form, it looks like a worthless stone.

Recently several enterprising APEC members have tried to establish interesting projects that involve several sectors as well as several members. I can recall two projects that I have been involved in. One is the project by the Thai APEC Study Center in Bangkok to invite several public and private organisations that are involved in various aspects of international trade of Thailand to try to find out ways and means to make the full use of trading opportunities. This was called 'How to Make ECOTECH Come True' Project, and the result of a national workshop had shown that many parties involved in the international trading system of Thailand lacked sufficient knowledge of the English language for a more successful deal, lacked sufficient negotiation skills to negotiate for a better deal, and lacked the technical and scientific skills to counter non-tariff barriers of its trading partners based on technical and scientific reasons. This opens ways to correct appropriate trading weaknesses of Thailand. The other is the City Partnership Project by the US National PECC Committee where up

to four medium size cities in the APEC will be set up to learn from one another on the strengths and weaknesses of city management. Best practices from more developed cities in the region will be observed, with a possibility of private sector and international financial organisation (such as the World Bank and the ADB) involvement in improving city management and development through necessary loans and grants.

5. Summary, Conclusions and Policy Recommendations

In this paper, I have tried to show that success in ECOTECH could be easy if members have the right attitude to tackle the problems. First of all, all members must the right perception toward ECOTECH in APEC and are willing to follow through with their policies. Once this is done, the making up of the deficiencies in institutional pre-conditions become easier. I have talked about the three building blocks that are used in community building in PECC that can also be applied in APEC to boost ECOTECH readiness for freer trade and investment. I have argued that if members recognise the necessities of the APEC Principles and the adoption of community (or capacity) building blocks, they will enter into the areas where there is no shortage of ideas how to create ECOTECH activities. The EAP is used as an example how this is the case, that individual actions on ECOTECH matters, not just human capacity building currently being experimented, could lead to continuous new and exciting ECOTECH activities.

It goes without saying that to achieve the above success in ECOTECH, several changes must take place. Elsewhere many have argued that the present organisation that runs the ECOTECH agenda in APEC, that is the ESC, is no longer effective in its present form. [8] It should be quickly re-established as a committee with a wider authority to coordinate works of other APEC such as various APEC Working Groups. There is also widespread agreement that the APEC Secretariat in its present form is inadequate to cope with the demand of the APEC process and activities of today. An expanded APEC Secretariat, with a changed structure such as long-term professional manager and several professional, non-seconded, technical staff to undertake evaluative, analytical as well as advisory functions could be a possible solution. This expanded Secretariat could take the form of same organisation with enlarged staff, or a new organisational setup being added into the original structure. For example, a separate APEC Institute could be set up as a research arm (or think-tank) of the APEC Secretariat to carry out specific duties of coordination and evaluation of ECOTECH projects across APEC members and forums, monitor and digest members' EAPs and suggest

[8] See, for example, Medhi (2002), Elek (2002), Feinberg (forthcoming).

improvement and follow-through, works with the BMC to give more proper assessment of research proposals, and so on.

Box 1: The APEC Principles

It is difficult to describe the nature of APEC in just a few words. It is not an economic grouping in the same mould as the European Union, or an economic organisation like the World Trade Organisation, or a specific free trade area as the North American Free Trade Area (NAFTA). It has elements of each of the above, yet has maintained its unique character and identity. Perhaps, APEC is an experience that is better understood from its evolution from an idea of a possible trade bloc to a voluntary trading association. And perhaps the following three principles of APEC could describe the true nature of APEC: the spirit of APEC, APEC Spiritualism, and Esprit de Corps of APEC.

(a) The First Principle: the Spirit of APEC

The circumstance leading the conception of APEC was that, in 1989 when Australia conceived the idea of APEC, the Uruguay Round of GATT negotiations was under an eminent danger of collapse due to inability of its members to agree on several important basic issues including the treatments of agriculture and trade in services. If this historic trade negotiations should fail, it could bring about a trade war between Asia Pacific and Europe. At the extreme, APEC could be formed as such trade bloc that will challenge the European Single Market or European Union, and the impending trade war could be a messy one. Fortunately the Uruguay Round was successful and a possible trade war was averted. APEC would not be formed as a trade bloc but as an 'open economic association' (Yamazawa, 1992). It is open because it does not seek to discriminate against non-members. It is economic because it deals basically with economic growth, trade and investment. And it is an association because participants do not cede powers of regulation or enforcement to any supra-national regional institution.

There was some apprehension about the nature of APEC at first, especially among some ASEAN leaders, but this apprehensive soon faded when it became clear that APEC would aim for 'open regionalism' and would not become a trade bloc. The Second APEC Summit in Bogor, Indonesia had produced the Bogor Declaration that definitely defines the future form of APEC, that APEC will be a group of countries and economies which had set the goal of achieving free and open trade and investment in Asia Pacific by the year 2020. It was indeed a bold pledge, or commitment which enhanced the image of APEC further.

Although some APEC members still raised some contentious points about the adoption and interpretation of the Bogor Declaration, they were in no way affect the general magnanimity of this declaration. Not only that tariffs will be reduced and trade and investment liberalised, future APEC will also call for economic and other trade and investment facilitation, and economic cooperation in more than 10 areas of economic work and social activities. [9] It must be the enthusiasm of most economic leaders of APEC to want to see the continuing momentum of APEC that they came out strongly and positively in support of APEC as portrayed in the Bogor Declaration. And they were willing to do many things to set examples for others to follow. These individual voluntary actions (such as tariff cuts, or participation in work programs) serve as 'peer pressures' that eventually drive other members to do the same or at least not to obstruct the move.

Therefore, voluntarism and unilateralism became the First Principle that APEC members willingly agree to follow. The contrast between the World Trade Organisation (WTO) and APEC is clear. The WTO is a rules-based organisation where agreements, once reached, are binding to all members, with provisions for penalties if members do not honour them. APEC is a principles-based organisation with non-binding agreements, but agreements are eventually expected to be followed voluntarily and unilaterally. This shows a true spirit of open regionalism because most-favoured-nation concession is given not to just APEC trading partners but all who are trading with APEC members. It is believed that this principle is more effective than agreement by force.

(b) The Second Principle: APEC Spiritualism and Faith in Free Trade

APEC members agree to join the association upon a basic conviction about the benefits of free trade and investment. Without this conviction APEC is no different from many free trade agreement areas that crop up now and then throughout the world. The faith in free trade is so basic that many call this quality APEC spiritualism, which has become the Second Principle for this organisation.

It is not difficult to understand why APEC members have faith in free trade and market mechanism. The established Theory of Comparative Advantage which has withstood the test of time since the 18th century has shown that if countries are allowed to trade freely with one another, a pattern of trade will emerge where

[9] These 13 areas of work programs include (1) human resource development, (2) industrial science and technology, (3) small and medium enterprises, (4) energy, (5) transportation, (6) telecommunications and information, (7) tourism, (8) trade and investment data, (9) trade promotion, (10) marine resource conservation, (11) fisheries., (12) agricultural and technical cooperation, and (13) economic infrastructure.

countries will specialise in the production of goods which they have comparative advantage (mainly in terms of costs), and the trade between these countries will necessarily bring about mutual gains from trade. It is possible, of course, that the process by which a country will have to make adjustments to find its own comparative advantage may cause pains and losses in the short and medium terms, but in the long-run, benefits and gains from free trade will more than make up for the short-term losses. Such was an indication of the spiritualism of APEC.

Combined the First and Second Principles together, we could easily give answer to the question: Why is that a voluntary and unilateral trade liberalisation is to be worshipped more than trade and exchange regime based on reciprocity? For one thing, to be able to excel in the most cost-productive technique of making things without the undeserved benefits of protection from competition would always put that producer ahead of everyone else, and he can enjoy all the comparative and competitive advantages from trading with anyone. So, reducing the protective walls of tariffs will bring forth the long-run benefits of the economy. Of course non-market arguments could be found to counter the impending benefits of free trade and non-distorted production techniques, the final proof may have to come from empirical testing or studies. This, the free trade school often wins.

(c) The Third Principle: Esprit de Corps in APEC

It is often categorised that APEC is about 3 economic activities: trade and investment liberalisation, trade and investment facilitation, and economic and technical cooperation. The first two activities are often referred to as TILF (for Trade and Investment Liberalisation and Facilitation) activities, whereas the third activities are known as ECOTECH (for ECOnomic and TECHnical cooperation) activities. The first two principles govern TILF, whereas the Third Principle governs ECOTECH. [10] This is the spirit of cooperation that exists among member economies both through state policies as much as through personal contacts of APEC ministers and officials while carrying out their duties.

In the beginning, it was often believed that ECOTECH existed only to serve the fundamental objectives of free trade and investment. Later, ECOTECH has assumed a life of its own. It now means more than just modality of preparation for free trade and investment, it also means a separate, stand-alone, endeavour to develop each individual economy into a self-sustaining and economically-sustainable entity. A new way of thinking has replaced the narrow, self-serving view of free-trade-at-all-costs. What good is free trade

[10] A newer metaphor likens the nature of APEC to the two wheels of a bicycle where the front wheel of TILF will lead to free trade while the rear wheel of ECOTECH help push the bicycle forward.

if one partner gains at the expense of the other partner? Free trade should bring in mutual net benefits, not the gains to one and the losses to the other. No country or economy would willingly sacrifice its own economic welfare simply for the benefits of others. But this country or economy may willingly sacrifice some of its economic welfare in the short run (through the pains of policy reform and adjustment, and other forms of preparation) in exchange for efficiency and equity gains in the long run. So, to help these economies to attain the level of development that trade and investment with one another will begin to produce mutual net benefits is part and parcel of the new thinking on the meaning of ECOTECH.

There are several ways in which the above can happen. Member economies may start with economic development through human resources development and human capacity building. They learn best practices from other more successful members, and adopt the accepted standards and conformance on various procedures. Technical assistance, even financial assistance, may be offered and received on the conditions that they lead to increase in economic capacity and readiness to trade and invest freely with one another. If nothing else, members can behave as a cheer leader, urging their colleagues on, giving encouragement and moral support for others' attempts to improve their own economic systems. In some cases, peer pressure exists to constantly remind non-conforming and non-performing members to go along with the rest of the group. This is the Esprit de Corps of APEC that has become very important principle that may sustain the cohesion of APEC in the years to come.

Source: Excerpt from the paper, 'How can the APEC Process Helps City Development? A Personal Observation', paper presented at Concurrent Session 7: Diversity and Sustainability in Cities of the Pacific Rim, at the 14th General Meeting of PECC, in Hong Kong, 29 November 2001

Box 2: Some Important Pre-conditions for the Success of APEC

A few years ago when four less developed countries in Southeast Asia, Cambodia, Lao PDR, Myanmar, and Vietnam, were about to be accepted as new members of ASEAN, I was asked how they could also prepare themselves to become new members of APEC in the future. I gave my answer in a paper, the Current Development in the Greater Mekong Subregion (GMS) in the APEC Context'. Below is an excerpt from that paper that addresses the above question.

"…The new or prospective new members of APEC may be required to fulfil the following conditions before being admitted to full members. These conditions are as follows:

(a) Minimum Level of Economic Development

There are no specific requirements that any economy must reach a certain level of economic development before it can be considered or become a new member of APEC, and in fact the current membership setup in APEC is quite diverse with the two most powerful economies in the world as members (the US and Japan); the largest economy in terms of population but a developing economy in terms of its level of economic development (China); two city-state type economies but quite developed (Singapore and Hong Kong); and an OECD member which has the smallest number of population (New Zealand). But all members of APEC have at least one thing in common, that is all have adopted the market approach to economic development and management. All have striven to reach or maintain a high level of economic well being or standard of living. All have engaged or attempted to engage in economic reforms that will reduce the level of economic distortions in the economies and increase the efficiency and competitiveness of such economies. The sufficient level of economic development may also imply the existence of economic institutions that are necessary for the type of economic activities required in APEC such as modern financial and payments systems, transportation and communications networks, capable bureaucracy and generally literate or well-educated population. Economic relationship between very rich and very poor partners may not be very productive and could evolve into the situation of patron-client relationship rather relationship among equals. And the impact of trading relationship between large and small members could create a well-known terms-of-trade effect where the larger trading partners reap all the gains from trade through their sheer size of products and market power. A minimum level of economic development may also imply that some regulatory measures to soften the adverse impacts due to size could be more easily implemented or followed.

(b) Minimum Level of Political Development

Again, there are no specific requirements that each economy or country must reach a certain level of political development before being considered for an APEC membership. Here the minimum political development is even more difficult to define than minimum economic development where some summary measures of economic development such as per capital GNP, total value of trade, external reserves can be used for such purpose. Democratisation is often used as a minimum requirement for political development, and this could mean frequent, regular, open

and transparent elections of public offices. But minimum political development is more than just elections. It may have to include the respect of the basic human rights, the rights of minorities, the genuine belief in the rule of law, the opportunity for popular participation in decision-making process, the accountability of policy-makers or public-office holders, and so on. APEC community probably would not tolerate the use of power to solve political conflicts, the failure to honour democratic political commitments or obligations, and the inability of the political system to consider issues that may have cross-border or supra-national political implications. Perhaps political education alongside general education may be necessary for those countries in the GMS which may still face with the problems of inadequate political development. "

It may be added that these pre-conditions have been prescribed after the most important pre-condition, the acceptance of the APEC Principles as stated in Box 1, has already been fulfilled.

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